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**National Farmers Union Submission  
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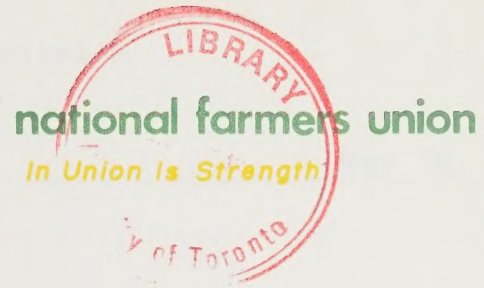






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National Farmers Union  
Submission  
to the  
Canadian Dairy Commission  
presented in

Ottawa, Ontario

May 26, 1986



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May 26, 1986

LONG TERM DAIRY POLICY:

We welcomed the January 22, 1986 announcement by The Hon. John Wise indicating a federal commitment to the national dairy program for a further 5 years. In continuing to have the program based on a supply management system, some future stability for the industry can be anticipated. We concur in the Minister's observation that "when something is working well, you shouldn't tinker with it".

Dairy production remains a declining industry, nonetheless. The CMSMC set the 1985-86 industrial milk quota at 46.6 MhL, of which 44.9 MhL was determined to be needed for domestic purposes and 1.726 MhL was designated for the Special Export Program (S.E.P.). In February, 1985, the federal government announced that for 1985-86, the \$6.03/hL federal subsidy would only be payable on the first 1.1 MhL of the S.E.P. milk.

On August 1, 1985, the CMSMC established the in-quota levy rate at \$5.14/hL to finance the export of skim milk powder. Effective August 16, 1985, the producer target returns were set at \$45.68/hL, which, after reduction of the \$5.14/hL levy, leaves \$40.54/hL for the 44.9 MhL industrial milk designated for domestic use.

On the first 1.1 MhL of S.E.P. milk, the net returns targeted are \$45.68/hL, less the \$29.73/hL levy assessed for the cost of exporting this milk, leaving \$15.96/hL for the producer. For the remaining 0.6 MhL, the target return is reduced to \$9.92/hL, as it is on the first 1% of production in excess of MSQ, after which the over-quota levy rate is \$38.00/hL. Because of low returns on the S.E.P. milk, its production is optional in the provinces and it is possible full utilization of the S.E.P. may not occur. We are not clear what the impact might be if total production falls short of the needs for the S.E.P.

Other matters related to the long term dairy policy remain to





be resolved or may have further negative impacts on future production. These include:

1. The Returns Adjustment Formula is currently under review, however, the objective of the review is unclear or by whom it is being conducted. We would be concerned, for example, if the triggering mechanism for increasing the Target Returns Level were further weighted against producer interests.

2. As of April 1, 1986, the federal government discontinued paying butter marketing operating costs. Marketing boards are using with-in quota levy funds to pay for storage and buying of butter in the April 1 to July 31 period. Our concern is that producers may end up paying this \$14 million annual cost when the stated intent of the policy was to put the processing industry in closer touch with the marketing sector. We question how this objective will be achieved when producers are paying the cost, thereby removing the incentive for the processing industry to demonstrate its market "sensitivity".

3. The issue of cheese imports remains to be dealt with at the next round of multilateral trade negotiations. The Minister of State for International Trade has made a commitment to press for improvements in Canada's balance of trade in cheese. The commitment for a 20% reduction in cheese import quotas made by the Minister of Agriculture remains to be fulfilled. Projections still place specialty cheese imports for 1985-86 and 1986-87 at 20,000 t for each year.

4. Butter consumption is expected to decline by 4% in the 1985-86 dairy year. The C.D.C. held sales in February 1984 and 1985 but no comparable sale was announced for this year. The Commission is reportedly exploring options of holding a longer, more effective sale later this year. If so, we would appreciate learning details of plans being considered.

5. The Nielsen Task Force on Program Review contained some extremely negative proposals for the dairy industry which stated as follows:

"The study team recommends to the Task Force that the government consider the following options:





"- Enact dairy supply management under the Farm Products Marketing Agencies (FPMA) Act:

- industrial milk producers would assume full responsibility for program management and financing;
  - the government would eliminate all federal program expenditures for subsidies, marketing costs and the operation of the Canadian Dairy Commission;
  - dairy supply management would be under the supervisory control of the National Farm Products Marketing Council;
  - savings would be approximately \$300 million annually. Implementation would require amendments to the FPMA Act. The CDC Act could be repealed.
- A variation of the above option which would preserve a minimal level of federal program involvement and financial responsibility would entail:
- retention of the Canadian Dairy Commission to regulate domestic support prices and to operate, with the Canadian Milk Supply Management Committee, producer supply management;
  - elimination of federal expenditures for marketing costs, domestic and export subsidies;
  - creation of a regulatory supervisory body composed of producer, processor, consumer and federal government representatives with power to direct the operations of the Canadian Dairy Commission in the public interest.

Savings would be approximately \$300 million annually (the government would continue to fund the administration of remaining CDC functions). Amendments to the CDC Act would be required to create a supervisory body with statutory power to oversee and direct CDC operations."

Neither of these two options would be acceptable to dairy producers and we reject them in total.

We can foresee that the current 5 year dairy program might be systematically dismantled between now and 1991 if current government philosophy toward deregulation and free trade continues unchecked. It is our hope the C.D.C. did not advise the Task Force to advance these recommendations. We call upon the government to specifically express its rejection of these "options".

IMPACT OF U.S. POLICY ISSUES:

The Nielsen Task Force proposals, if implemented, would





further establish the groundwork for free trade negotiations with the U.S. and open up the floodgates for deregulation of the dairy industry. We have no doubt that free trade would spell the death-knell of the Canadian dairy industry as we know it.

The U.S. 18-title Food Security Act of 1985 signed December 23rd by President Reagan has as its primary theme the making of commodity programs more market-oriented. A "whole-herd buyout program" will pay U.S. dairy farmers to slaughter their dairy herds during the next 18 months and remain out of milk production for the next 5 years.

The program, it is predicted, will leave fewer but larger farmers, reduced production capacity and less incentive to produce because of lower prices. The target is to reduce national productive capacity by 12 billion pounds. Accepted liquidation bids of dairy herds will result in the slaughter of 951,619 cows, 347,789 heifers and 257,995 calves between April 1, 1986 and August 31, 1987. Complicating the impact of the Farm Bill is the Gramm-Rudman-Hollings Bill, which as of March 1, 1986, reduced the effective support price for milk by 55¢/cwt.

However, offsetting the production cuts effected by the herd reduction program may be new technological advances\* in the administration of bovine growth hormones (bGH), prolactin (Pr1), insulin and thyroxine which have the properties to manipulate bovine growth hormone secretion to improve milk production and feed efficiency of dairy cows. The implications to the dairy industry are tremendous. Milk yield per cow can increase 15 to 41%, feed efficiency 8 to 24%, growth rate of heifers 8 to 10% and mammary growth up to 38%. It was expected that bGH would be approved by the U.S. Federal Drug Administration and be in commercial use in the U.S. by 1988. All U.S. cows, it was estimated, would use the hormone by 1998. This technology would increase average per cow milk production by 25%, with consequences on milk price, dairy cow population and herd size in the U.S.

Against this background the need for a policy of non-negotiable milk quotas becomes self-evident. The innovators in the dairy business to first apply this technology would place a great deal of

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\* Paper presented to the Canadian Agricultural Outlook Conference, Dec. 1985, by D. Petitclerc and C. Bellation





value on the acquisition of additional quota. This could quickly result in the concentration of production within relatively few hands.

We can, for example, foresee the eventual arm's length involvement of the processing sector financing the acquisition of quota which would lead to eventual corporate control over production.

#### IMITATION AND ARTIFICIAL PRODUCTS:

The downward pressures exerted by events occurring in the rationalization of the U.S. dairy industry and the Canadian government's deregulation and free trade stance is supportive also of expanded encroachment into consumer markets of imitation and artificial products that act as direct competition to the consumption of dairy products.

Preliminary estimates for margarine consumption in 1984 place it at 6.08 kg/capita compared to 3.39 kg/capita for butter. While the consumption levels of both products have declined in 1983 and 1984 from 1982 levels, the drop in butter consumption is proportionately higher. (See Appendix B, Table 6)

In part, we believe the growth in market share of margarine over butter is related to the variance in the margarine coloring code between Quebec and Ontario. We urge the C.D.C. act to encourage the Quebec government to adopt the Ontario margarine coloring code which might reduce the consumer acceptibility of margarine and reduce the invasion of the Ontario consumer market by Quebec-produced margarine.

We have on former occasions expressed our apprehension over the potential market threat to milk of artificial whey-based drinks as a result of relaxed investment opportunities under the "Investment Canada Act". It was our view that government should provide a clear and definitive statement within the context of announcing a new dairy policy indicating investment for the purposes of manufacturing such products would not be welcome.

Such assurance was not contained in the January 22 dairy policy announcement. We again request the government to definitely state an intent to ban the importation or manufacture of these products in Canada.





### MULTIPLE COMPONENT PRICING:

One year ago we indicated our support in principle for the concept of Multiple Component Pricing (MCP) which combines butterfat content and solids-not-fat (SNF) into the pricing system. These component prices also approved in principle by the Ontario Milk Marketing Board are based on federal support prices for butter and skim milk powder. A pilot project on using this method of pricing is now being undertaken by the O.M.M.B.

If the MCP project proves successful, we request the Commission extend its endorsement to this method for pricing dairy products and attempt to have it adopted for milk pricing in all provinces of Canada.

### CHEESE GRADING:

As of April 1, 1986, all in-plant government grading of cheese was halted as part of cost-cutting measures. We are concerned by this action and recognize several problems which include the following:

1. Small processors depend on government graders to give an unbiased opinion about the quality and grade of their product, the larger companies will probably have their own graders. Since the government graders are going to continue grading cheese for export, and the large companies do most of the exporting, these companies will still have a second opinion or quality control on their product which the smaller plants won't have.

2. The smaller plants don't have the volume to hire their own graders and even if they did, they would have no or very little experience and secondly, they might be biased.

3. The existing unbiased control will no longer be in place and if again required within even a short period of time of even one year, money will be required to train personnel to bring the system back to its present condition.

4. Since the government inspectors are still picking up samples for fat and moisture tests from plants, why can't they grade





when they are here?

5. The government policy doesn't allow the graders to express an opinion off-duty.

6. The consumer is not going to know whether a first grade product is being purchased since the grades will be those of the processor or seller.

7. Cheese sales have been climbing in the past few years, but if quality slips they could drop, thus requiring a reduction in milk supplies by producers.

8. The economy in general may suffer due to lost jobs in producer and processor production, and sales staff; especially in the smaller communities.

In summarizing, we do not believe that it is in the best interests of either producers or consumers to allow cheese factories to do their own grading.

If the former system of government grading is to be permanently withdrawn, we suggest a new system be implemented as follows:

1. That mandatory grading must continue for all cheddar cheese, and opinions or grades be given on speciality cheeses.

2. To ensure the survival of the small independent cheese factories, it is necessary that funds continue to be made available to provide government-appointed cheese graders at a nominal fee.

#### CONTINUED NEED FOR SUPPLY MANAGEMENT:

The combination of these various circumstances make it apparent that the major constraint to the return of complete chaos to the dairy industry must be the continued existence of the Canadian Dairy Commission. We shall continue to support the C.D.C. in its efforts to retain and administer supply management within the system.

It becomes increasingly apparent that dairy producers must continue to basically rely only on the domestic market to consume milk





and milk products. Toward this end, we again recommend the following policy proposals as a means toward further stabilizing our domestic dairy industry:

i) The jurisdiction of the C.D.C. should be broadened to include import licensing powers over dairy products. This is essential if we are not to experience the same type of fiasco in reducing cheese imports that we have experienced in establishing meat import quotas. The offer to purchase program must also be retained.

ii) The development and expansion of domestic social programs utilizing dairy products must be undertaken. Such programs might include:

- . Developing and implementing a comprehensive national school milk program with quality standards.
- . Developing a milk program for supplementing the diets of low income groups in our society.

Provincial government departments responsible for the dispensation of welfare should be approached to adopt such programs on a cost-sharing basis with the federal government.

iii) Expanding export trade in dairy products, both commercially and as food, must be undertaken and can in our view best be accomplished by the Commission.

iv) National quotas on domestic butterfat requirements should be set. Maintaining current subsidies as the minimum levels of support to the domestic dairy industry is essential as well as re-instating the dairy export subsidy program to its previous levels.

v) Research funding must be provided to explore alternate ways of marketing our natural dairy products. A good potential market for skim milk powder, for example, exists with the baking industry. It needs to be explored and developed.

The dairy industry ranks third in the income classifications of farm products produced in Canada, being exceeded in the farm cash income column nationally only by grain and livestock. In 1985, income





from dairy products contributed 15.3% of \$3.1 billion to the farm economy, an increase of 12.9% over 1984. In B.C., Nova Scotia, New Brunswick, Ontario and Quebec, it was the leading income product and ranked second as an income earner in Newfoundland and P.E.I.

Our complete dairy policy is attached for your reference in this submission as Appendix A and current dairy product statistics are designated as Appendix B.

OBSERVER STATUS - CMSMC:

We once again remind you that our past requests for acquiring observer status on the Canadian Milk Supply Management Committee have apparently fallen on deaf ears. We request that our application be now given serious consideration and acceptance.

We are living in a time when producer-organized boards are falling under increasing pressure from organized advocacy groups who support free trade and can use it as a convenient pretext for attacking orderly marketing. We need look no further than the federal government's Nielsen Task Force as evidence.

Presumably the members of the CMSMC are pro-orderly marketing. It is not clear to us how we can be considered as a threat to the process of the Committee by attending its meetings as an observer. It seems to us that the C.D.C. and the CMSMC can use all the friends they can get. Information which may enable us to better understand the issues for the defense of orderly marketing can only serve a positive purpose.

We believe the CMSMC should set aside its elitist attitude and accept our application for observer status. We request your support in this endeavour.

In conclusion, we thank you for the opportunity of this meeting and request your consideration for the views we have expressed.





APPENDIX A



## Dairy Policy

### Basic Principles:

The basic principles of the NFU Dairy Policy shall be:

1. That Canadian Dairy Policy be as simple as possible to be easily understood by all farmers.
2. Recognition of the importance of maintaining a sound dairy industry in Canada, capable of returning to the producer-farmer a price for the product which will return costs of production and a fair return for his/her capital investment, management and labor skills.
3. That the Government of Canada, through its agency, the Canadian Dairy Commission:
  - a) Recognize the principle that Canadian producers must be given priority as suppliers of the domestic market for dairy products, and,
  - b) Pursue a more positive and aggressive policy in respect to expanding outlets for Canadian dairy products through commercial exports, food aid and social programs at home and abroad.
  - c) The quota for special exports should be long term in nature and should not exceed the current level of 5% of domestic requirement.
4. It must also be recognized that it is in the public interest to have a reasonable inventory of dairy products at all times. The cost of maintaining this inventory should be the responsibility of the government.
5. To stabilize the dairy industry in Canada with a five-year forecast of requirements, policies and returns to enable farmers to plan production patterns with forecasts to be updated annually.
6. That a proper national price relationship between producers in different provinces be calculated in such a way as to narrow the wide disparity which presently exists in fluid and manufacturing milk prices between provinces.
7. The present market share system provides the necessary form of supply management to prevent over-production providing imports are similarly controlled, e.g., import quotas formed on the same basis as the Canadian dairy producers are now operating under.

### Policy Proposals:

The NFU calls for the implementation of the following specific policy recommendations in order to achieve stability in the dairy industry consistent with the basic principles outlined above.

1. That at the earliest possible time, prices for all milk of top quality be pooled in such a way as to reflect a blended price return on weighted price averages resulting from the end use for which such milk is utilized.
2. Special stabilization consideration be accorded to cream producers in an attempt to overcome the disparity between butter and skim milk production and consumption.
3. That the CDC pay full subsidy on the market share quota with the 308,670 litres (700,000 lbs.) MSQ to be the upper limit for a single farm operation, be it an individual or corporate farm. If a farmer or members of the family decide to expand a family unit, or if a group of farmers wish to amalgamate their operations, the 308,670 litres be used as a base and at most two additional partners being bona fide farmers be allowed 220,480 litres (500,000 lbs) of quota.
4. That the federal government be called upon to encourage the expansion of milk production

in Canada for the purpose of utilizing dairy products as an important instrument in social development for such purposes as:

- a) Developing and implementing immediately a comprehensive national school milk program with quality standards.
  - b) Developing a milk program for supplementing the diet of low income groups in our society.
  - c) Expanding our food aid contributions in general and milk specifically for nutrition and hunger relief (programs of FAO) in addition to the development of bilateral aid programs for minimum periods of 5 years with developing nations which are deficient in milk production.
  - d) Take immediate action to ban all imports of imitation or synthetic products and their production within Canada.
  - e) Make available significant research funding to provide alternate ways of marketing our natural dairy products.
5. That the Canadian Dairy Commission be called upon to:
- a) Form an aggressive sales department to maintain and promote the consumption of dairy products to both domestic and foreign markets as well as to take over the function of the Belleville Cheese Exchange and in fact become a National Marketing Agency.
  - b) All cheese imports and domestic sales thereof must become the marketing responsibility of the CDC and profits from such sales be used for the reduction of the export levy on industrial milk.
  - c) Assist in the development and promotion of new dairy products, e.g., national school milk programs and 2+10 milk.
  - d) Develop stringent controls to prevent large dairy corporations from gaining market control, or reverse the present trend of large corporations from gaining control.
  - e) Adopt a mandatory, official Canadian milk and cream testing procedure which will accurately reflect butterfat and solid content in milk and cream.
  - f) Promote the availability and use of Canadian natural cheeses at all Canadian embassies and other government depots and supply contracts.
  - g) Make sure synthetic products are labelled as such so that consumers will not mistake them for natural dairy products.
6. Further NFU policy requirements are:
- a) That all existing milk quotas be non-negotiable and become the property of the responsible government agencies in each province and that, where applicable, such agencies take control of all buying and selling of milk quota and that the price of quota paid to a producer who is desirous of selling his/her quota, be reduced on an equitable compensation basis, in stages, over the next 6 years to nil.
  - b) That such agencies transfer quota when available to other producers at buying prices until such time as quota values are reduced to nil.
  - c) That in order to prevent speculation and third party involvement in those provinces where negotiable quotas are currently practiced, a First Year Maintenance clause be invoked whereby producers are not obligated to fill the quota they purchase within that dairy year.
  - d) That, as soon as possible, allocating agen-

cies transfer quotas to producers based on the following principles and priority:

- i) Producers holding less than 132,290 litres (300,000 lbs.) total quota.
- ii) Beginning farmers, (including up to three working partners in one unit) up to the basic quota of 132,290 litres each.
- iii) Producers with less than 220,480 litres quota desiring to increase operations up to 220,480 litres.
- iv) Producers holding more than 220,480 litres
- v) Upper limit for an individual or corporate farm be 308,670 litres. In cases of amalgamated or expanded family operations, the base of 308,670 litres be increased for up to two additional working partners by 220,480 litres each.
- e) That in recognition of the preceding basic principles of quota allocation, freely transferable quotas between producers in any form, including auction, must end.
- f) That lending and borrowing of MSQ be administered by provincial milk marketing boards or agencies with no price attached thereto and be continued with maximum limits set to 10% of a producer's annual quota in order to smooth out unpredictable variations and better utilize the available MSQ allotted by the CDC.
- g) The beginning farmer not be subject to a transfer levy, provided he/she commits himself to stay in production for a minimum of three years.
- h) That market share quotas be extended to cover total domestic needs including fluid requirements and be the basis for distribution of all subsidies. Said MSQ become the responsibility of the CDC and be administered by provincial agencies, thus providing the structure necessary for adequate supply management.
- i) MSQ be equitably distributed to present producers meeting necessary quality requirements and provisions be made for orderly entry of new producers.
- j) That MSQ be allocated to various regions in Canada in a planned, rational manner determined by the productive ability as well as the social needs of the area rather than in a haphazard manner dictated by economic pressures and/or profit-oriented corporate decisions. Said allocations be reassessed annually.
- k) That the Canadian Milk Supply Management Committee disallow interprovincial movement of quota in any year that seven or more provinces have indication by February 1 that their quota is running over 60 percent of their allotment. Interprovincial movement of quota must be so designed as to not encourage over-production by provincial marketing agencies or governments.
- l) That the size of the quota "sleeve" between domestic production requirements and total market sharing quota never be allowed to exceed 5% of total MSQ.
- m) That all provincial Milk Marketing Agencies adopt a policy on "over-quota" production whereby a producer is paid up to a maximum of 5% for any production in excess of quota and any additional monies accumulated from producers shipping in excess of determined amounts be used to reduce the "in quota" levies for the following year.



- n) That reductions in a producer's market share quota be held in reserve and restored when market develops but under no circumstances should said quota be assigned to a producer whose aggregate fluid and/or market share quota totals more than 308,670 litres milk or butterfat equivalent, nor should the effect of such reassignment be to increase a milk producer's quota beyond the 308,670 litres upper limit, but that each additional partner be allowed 220,480 litres.
  - o) That when a producer ceases milk production and applies for reentry as a producer within five years, his request will be subject to review by the allocating authority.
  - p) That the Canadian Dairy Commission pay the full consumer subsidy on all domestic requirements plus normal export markets.
  - q) That imports of dairy products be allowed only when domestic demand exceeds domestic supply and that the present cheese import quota be reduced to a level that cheese imports are in balance with cheese exports.
  - r) That the owner of a dairy cow with brucellosis be compensated at the actual value plus loss of income based on the herd average production until reinstated as a producer. We further request that the Minister of Agriculture reinstate the administration of a final brucellosis test on all cattle ordered to be slaughtered on the basis of preliminary tests.
  - s) That governments see that such necessary equipment as cream cans and cream separators and replacement parts be available to producers through importation if necessary.
  - t) As an interim measure, provincial marketing agencies should reserve quota accumulated through a transfer levy and maintenance clause and be allocated to new producers. Such quota should be allocated with no price attached to a maximum of 50,000 litres of market share quota. When the producer ceases production, this allocated quota would be returned directly to the provincial marketing agency.
7. In addition to the above policy recommendations, the NFU should:
- a) That due to the discrepancy between volume and weight of 1.03 in the conversion from imperial to metric measure for purposes of payment, that cash settlements to producers be based on weight.
  - b) Devise a formula to arrive at a price goal which can take into consideration price changes required to fulfill basic principle No. 2 of the dairy policy statement.
  - c) Press that farmers not be penalized for the deterioration of milk quality after it leaves the farm gate.
  - d) That provincial marketing agencies not allocate license fees collected from producers to other farm organizations for membership fees, and further that the OMMB publish the financial statement of the Dairy Farmers of Canada in the OMMB producer magazine.
  - e) Maintain the current boycott of Kraft products as a means of informing farmers and the public at large of the monopolistic position this international giant is assuming in the control of the cheese industry and towards producers of the raw product and their organization, and to put the NFU in a bargaining position.
  - f) Ensure that NFU briefs on national dairy policy be presented early in January.
  - g) The National Board move immediately to pressure the federal government to increase returns farmers receive for milk to cover total cost of production including a fair return to farmers for labour and investment cost and that we totally oppose any attempt to remove or decrease the federal dairy subsidy.
  - h) The National Executive continue to seek observer status on the Canadian Milk Supply Management Committee.

APPENDIX B





TABLE 1: FARM AND COMMERCIAL SALES OF MILK AND CREAM IN CANADA, DAIRY YEARS 1982-83 TO 1986-87

	August-December		Dairy year			Projections	
	1984-85	1985-86	1982-83	1983-84	1984-85	1985-86	1986-87
(MhL)							
<b>Farm sales<sup>a</sup></b>							
Fluid purposes	10.97	11.18	25.78	26.13	25.90	26.40	26.60
Industrial milk	18.30	17.33	46.03	45.61	45.65	44.90	45.00
Industrial cream	0.77	0.76	2.11	2.02	1.90	1.85	1.80
Total industrial use			48.14	47.63	47.55	46.75	46.80
<b>TOTAL FARM SALES</b>	<b>30.04</b>	<b>29.27</b>	<b>73.93</b>	<b>73.75</b>	<b>73.45</b>	<b>73.15</b>	<b>73.40</b>
<b>Commercial sales of fluid products</b>							
Standard milk	3.59	3.42	9.05	8.74	8.34	8.05	7.90
Low-fat milk <sup>b</sup>	7.28	7.55	16.44	17.11	17.43	17.91	18.35
Fluid cream <sup>c</sup>	1.87	1.97	3.79	4.09	4.36	4.69	4.70

<sup>a</sup> Milk sold off farms as reported by the first recipient

<sup>b</sup> Includes 2% milk, skim milk, chocolate milk and buttermilk

<sup>c</sup> In milk equivalent

Source: Agriculture Canada, Market Information Services

TABLE 2: PRODUCTION, DOMESTIC DISAPPEARANCE AND SUPPORT PRICES OF VARIOUS DAIRY PRODUCTS, DAIRY YEARS 1982-83 TO 1986-87

	August-December		Dairy year			Projections	
	1984-85	1985-86	1982-83	1983-84	1984-85	1985-86	1986-87
(kt)							
<b>Production</b>							
Butter	39.84	34.76	111.85	107.76	99.58	95.50	95.50
Cheddar	40.43	48.07	96.15	101.68	102.09	109.50	106.50
Specialty cheeses	41.34	44.17	81.21	87.43	94.58	98.00	100.00
Concentrated whole milk <sup>a</sup>	69.40	42.86	166.08	147.44	174.61	140.00	140.00
Skim milk powder	45.00	29.64	139.45	128.34	112.63	100.00	100.00
<b>Domestic disappearance</b>							
Butter	48.82	44.19	105.72	107.61	106.32	102.95	100.00
Cheddar	40.77	43.17	90.38	96.83	99.92	102.00	103.00
Specialty cheeses	50.46	50.94	100.64	105.58	113.76	117.67	119.00
Concentrated whole milk <sup>a</sup>	7.60	25.77	79.01	56.34	45.61	49.98	40.00
Skim milk powder	33.76	20.57	31.13	62.43	57.55	44.23	42.00
<b>Support prices</b>							
Industrial milk (\$/hL)	44.65	45.68	41.02 <sup>a</sup> 41.40 <sup>b</sup> 41.66 <sup>c</sup>	42.80 <sup>a</sup> 43.18 <sup>b</sup> 43.83 <sup>c</sup>	44.65	45.68 <sup>d</sup>	45.68-46.75
Butter (\$/kg)	4.78	4.93	4.33 4.38 4.42	4.55 4.60 4.71	4.78	4.93	4.93-5.10
Skim milk powder (\$/kg)	2.85	2.92	2.59 2.61 2.65	2.72 2.74 2.79	2.85	2.92	2.92-3.00

<sup>a</sup> Thousands of kilolitres

<sup>b</sup> Estimates

<sup>c</sup> January 1

<sup>d</sup> April 1

<sup>e</sup> August 1

<sup>f</sup> August 16

Source: Agriculture Canada, Market Information Services

TABLE 3: CHEDDAR AND SPECIALTY CHEESE SUPPLY AND DISPOSITION, CANADA, DAIRY YEARS 1982-83 TO 1986-87

	August-December		Dairy year			Projections	
	1984-85	1985-86	1982-83	1983-84	1984-85	1985-86	1986-87
(t)							
<b>Cheddar Cheese</b>							
Beginning stocks	42 362	38 814	38 067	40 774	42 362	38 814	37 064
Production	40 434	48 071	96 145	101 678	102 087	109 500	106 500
Imports	95	66	0	356	447	350	300
Total supply	82 891	86 951	134 212	142 808	144 896	148 664	143 864
Exports	1 867	4 850	3 055	3 619	6 161	9 600	4 500
Closing stocks	40 252 <sup>a</sup>	38 933	40 774	42 362	38 814	37 064	36 364
Domestic disappearance	40 772	43 168	90 383	96 827	99 921	102 000	103 000
<b>Specialty cheeses</b>							
Beginning stocks	12 434	11 977	12 283	11 541	12 434	11 977	10 804
Production	41 344	44 168	81 207	87 434	94 576	98 000	100 000
Imports	9 813	8 753	19 735	20 209	20 054	20 000	20 000
Total supply	63 591	64 898	113 225	119 184	127 064	129 977	130 804
Exports	828	786	1 048	1 166	1 355	1 500	1 500
Closing stocks	12 300 <sup>a</sup>	13 173	11 541	12 434	11 954	10 804	10 304
Domestic disappearance	50 463	50 939	100 636	105 584	113 755	117 650	119 000
<b>Domestic cheese consumption</b>							
Cheddar	40 772	43 168	90 383	96 827	99 921	102 000	103 000
Specialty cheeses	50 463	50 939	100 636	105 584	113 755	117 673	119 000
Total	91 235	94 107	191 019	202 411	213 676	219 673	222 000

<sup>a</sup> Stocks to the end of December

Source: Agriculture Canada, Market Information Services

TABLE 4: BUTTER SUPPLY AND DISPOSITION, CANADA, DAIRY YEARS 1982-83 TO 1986-87

	August-December		Dairy year			Projections	
	1984-85	1985-86	1982-83	1983-84	1984-85	1985-86	1986-87
(t)							
<b>Butter</b>							
Beginning stocks	37 450	30 168	35 290	37 472	37 450	30 168	22 318
Production	39 835	34 757	111 849	107 761	99 584	95 500	95 500
Imports	22	41	39	50	102	50	50
Total supply	77 307	64 966	147 178	145 283	137 136	125 718	117 868
Exports	221	445	3 987	227	653	450	600
Closing stocks	28 263 <sup>a</sup>	20 327	37 472	37 450	30 168	22 318	17 268
Domestic consumption	48 823	44 194	105 719	107 606	106 315	102 950	100 000

<sup>a</sup> Stock to the end of December

Source: Agriculture Canada, Market Information Services

TABLE 5: CONCENTRATED WHOLE MILK AND SKIM MILK POWDER, SUPPLY AND DISPOSITION, CANADA, DAIRY YEARS 1982-83 TO 1986-87

	August-December		Dairy year			Projections	
	1984-85	1985-86	1982-83	1983-84	1984-85	1985-86	1986-87
<b>Concentrated whole milk</b>			(kL)				
Beginning stocks	22 200	21 977	25 537	24 700	22 200	21 977	22 000
Production	69 401	42 863	166 079	147 437	174 610	140 000	140 000
Imports	0	0	0	0	0	0	0
Total supply	91 601	64 840	191 616	172 137	196 810	161 977	162 000
Exports	58 435	26 720	87 902	93 595	129 219	90 000	90 000
Closing stocks	25 570 <sup>a</sup>	12 355 <sup>a</sup>	24 700	22 200	21 977	22 000	22 000
Domestic consumption	7 596	25 765	79 014	56 342	45 614	49 977	50 000
<b>Skim milk powder</b>			(t)				
Beginning stocks	37 767	30 226	60 844	42 794	37 767	30 226	24 000
Production	44 998	29 641	139 452	128 343	112 628	100 000	100 000
Imports	0	0	0	0	0	0	0
Total supply	82 765	59 867	200 296	171 137	150 395	130 226	124 000
Exports	26 127	24 092	126 373	70 939	62 616	62 000	60 000
Closing stocks	22 883 <sup>a</sup>	15 210	42 794	37 767	30 226	24 000	22 000
Domestic consumption	33 755	20 565	31 129	62 431	57 553	44 226	42 000

<sup>a</sup> Stocks to the end of December

Source: Agriculture Canada, Market Information Services



TABLE 6: APPARENT PER-CAPITA CONSUMPTION OF FOOD IN CANADA,<sup>a</sup> 1976-84

Commodity	1976	1977	1978	1979	1980	1981	1982	1983	1984 <sup>b</sup>
<b>Dairy products</b>									
Cheddar cheese	1.62	1.48	1.49	1.82	2.12	2.50	1.70	2.27	2.34
Process cheese	2.68	2.75	2.97	2.80	2.92	2.97	3.01	3.03	2.85
Variety cheese	2.68	2.84	3.05	3.08	2.94	3.08	2.75	3.43	3.75
Skim milk powder	2.83	3.50	0.41	2.18	1.80	1.99	2.41	1.75	2.54
Evaporated milk	3.71	3.95	4.32	2.47	2.20	2.17	2.49	2.70	1.20
Ice cream	12.15	12.50	12.22	12.94	12.96	12.80	12.31	12.51	11.97
Fluid milk and cream	103.25	104.12	105.78	108.62	108.82	108.23	107.96	107.39	106.63
<b>Cereal products</b>									
Wheat flour	61.37	59.02	57.91	56.15	59.31	55.80	57.53	55.73	56.55
Rice	2.64	2.69	2.83	3.14	3.19	3.43	3.78	3.73	3.92
<b>Meat</b>									
Beef	51.36	48.85	45.73	39.90	39.53	40.69	40.45	40.02	38.32
Pork	25.10	25.10	25.92	29.05	31.30	30.10	27.84	28.62	27.89
Veal	2.37	2.26	1.84	1.42	1.42	1.57	1.69	1.68	1.82
Mutton and lamb	1.02	0.82	0.87	1.07	0.81	0.71	0.74	0.80	0.87
Offal	1.72	1.64	1.92	1.35	1.86	1.38	1.28	1.41	1.46
<b>Poultry</b>									
Chicken	14.63	15.32	15.97	17.64	17.19	17.04	17.25	17.24	18.19
Fowl	1.20	1.23	1.24	1.11	1.26	1.33	1.41	1.61	1.40
Turkey	4.17	4.16	4.14	4.08	4.26	4.15	3.96	4.06	3.95
<b>Fish</b>									
Fish and shellfish (fresh and frozen) <sup>c</sup>	6.09	5.68	5.32	5.79	6.07	4.80	4.28	5.37 <sup>b</sup>	—
Fish, cured (smoked, salted and pickled)	0.22	0.16	0.36	0.28	0.14	0.20	0.25	0.11 <sup>b</sup>	—
Fish and shellfish, canned	1.91	1.92	2.10	1.97	1.73	1.80	1.78	2.05 <sup>b</sup>	—
<b>Eggs</b>	13.01	12.67	12.47	12.98	12.86	12.68	12.75	12.56	12.02
<b>Fats and oils</b>									
Margarine	5.51	5.87	5.93	5.72	5.38	6.21	6.47	6.34	6.08
Shortening and shortening oil	7.77	7.61	7.45	8.36	8.76	8.37	8.19	8.29	8.04
Salad oil	4.10	4.36	4.24	3.80	3.65	3.83	3.74	4.54	4.41
Creamery butter	5.08	4.54	4.47	4.45	4.52	4.43	4.28	3.55	3.39
<b>Fruit<sup>d</sup></b>									
Fresh	64.60	61.44	59.29	59.98	60.38	62.61	59.98	61.77	63.99
Canned	11.32	9.53	17.56	19.14	17.08	19.35	17.59	19.05	20.05
Frozen	1.20	1.30	1.10	0.91	1.32	0.85	0.83	1.38	1.04
Juice	35.03	37.76	41.90	42.60	43.20	46.20	46.06	41.51	41.06
Dried	9.73	9.44	10.14	9.40	8.80	8.92	—	—	—
Jams, jellies, and marmalades	0.81	0.57	0.58	—	—	—	—	—	—
Others	0.48	0.51	0.58	0.54	0.46	0.41	0.42	0.57	0.62
<b>Vegetables<sup>d</sup></b>									
Fresh	113.87	115.89	119.02	129.35	121.84	118.36	120.02	125.57	120.44
Canned	8.35	9.84	10.17	10.07	10.36	10.07	10.82	9.17	8.31
Frozen	3.67	5.32	5.64	5.97	6.23	6.01	6.29	5.46	6.16
<b>Beverages</b>									
Tea <sup>e</sup>	1.14	1.17	1.02	0.98	1.02	0.93	0.91	0.91	0.88
Coffee <sup>f</sup>	4.40	3.52	4.21	4.49	4.49	4.77	4.35	4.33	4.37
Cocoa <sup>f</sup>	1.42	1.31	1.36	1.23	1.43	1.51	1.32	1.55	0.94
<b>Sugars and syrups</b>									
Sugar	42.06	42.13	41.70	40.30	39.57	37.72	38.04	38.70	40.80
Maple sugar	0.18	0.19	0.14	0.19	0.28	0.38	0.22	0.30	0.15
Honey	0.85	0.90	0.93	—	—	—	—	—	—

— = not available

<sup>a</sup> All data are reported in kilograms with the exception of evaporated milk, ice cream and fluid milk and cream, which are reported in litres. Unless otherwise specified, all data are in retail weight equivalent.

<sup>b</sup> Preliminary

<sup>c</sup> Includes freshwater fish

<sup>d</sup> Fresh equivalent. Fresh and canned fruit and juice include tomatoes. All other fruit categories exclude tomatoes. Vegetables include potatoes, other vegetables, and mushrooms.

<sup>e</sup> Tea-leaf equivalent

<sup>f</sup> Green bean equivalent

Source: Statistics Canada, *Apparent Per Capita Food Consumption in Canada*, Catalog No. 32-229/230 (revised series)







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**national farmers union**

*In Union Is Strength*



National Farmers Union  
Submission  
to the  
Canadian Dairy Commission  
presented  
in

Ottawa, Ontario

May 13, 1985



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National Farmers Union  
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We appreciate the opportunity of meeting with you to outline our views on dairy policy issues.

Since our last meeting, April 13, 1984, a change in government and ministers has occurred. Reduction of the federal deficit has become the new priority.

It has already affected the dairy industry through the reduction on November 8th of \$2.2 million for dairy product and market research funding and the dairy export subsidy program reduced by an amount which works out to about \$6.65 million for a full dairy year.

Dairy producers are now apprehensive about further possible funding cuts and/or cost recovery measures that may be forthcoming in the May 23rd Budget.

Should a portion of a cost recovery program, for example, include a cut in the subsidy of \$6.03 per hectolitre and the equivalent amount be reflected in increased consumer prices, we can predict further consumption declines of such products as butter and cheese. This, in addition to the export cutbacks, holds further serious implications for the levels of Market Share Quotas which may come into effect for 1985-86.

Several factors are already contributing toward uncertainty over the future of the dairy industry.

1) The international situation with respect to markets for dairy products has been depressing. Although actions have been taken in the E.E.C. countries and the U.S. to restrain production, the E.E.C. is still expected to be 115% of self-sufficiency, the U.S. also remains above self-sufficiency levels and world dairy market prices





continue to decline.

2) The E.E.C.\*, in order to reduce its butter stock, sold 220,000 t of butter to the U.S.S.R. at a discount of about 25% below the G.A.T.T. International Dairy Agreement minimum price for butter. As a consequence the G.A.T.T. minimum butter price has been suspended, the world market price has fallen to about U.S. \$900/t f.o.b. and the U.S. has withdrawn from the International Dairy Agreement. These actions further contribute toward overall instability within the industry.

3) Domestically, the Agriculture Canada forecast is that industrial milk and cream shipments are expected to reach 48 MhL which is 0.4 MhL over the 1984-85 Market Share Quota. This may affect 1985-86 M.S.Q. levels.

4) Industrial milk producers ended the 4% restraint program on April 1, 1985. The Returns Adjustment Formula did not, however, trigger on April 1 because of the decrease in feed price and the moderate inflation rate. As a consequence, the gross target return remains at \$44.65/hL leading to a decreased target return to producers after deducting the in-quota levy rate payable. Dairy producers are falling behind in their returns.

5) Consumption levels of butter for the dairy year are expected to be below 1984-84 levels. Butter stocks as of August 1st are expected to be in the 36 to 36.5 kt range, significantly higher than the normal stocks of 23 to 24 kt. Cheddar cheese consumption is forecasted to decline although variety cheese consumption may be up by 2½% and skim milk powder will remain about the same. Evaporated whole milk consumption is also expected to decline.

6) Under circumstances of rising production and faltering consumption levels, our imports of dairy products create added pressure to the overall situation. It is projected that we shall again import 20,000 t of specialty cheeses under G.A.T.T. Agreements in this dairy year which will be offset by combined exports of only 4,600 t of cheddar and specialty cheeses.

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\* Source: "Milk and Dairy Products" M. Côté and R. Tudor Price in Market Commentary, March, 1985.



The combination of these various circumstances make it apparent that the major constraint to the return of complete chaos to the dairy industry must be the continued existence of the Canadian Dairy Commission. We shall continue to support the C.D.C. in its efforts to retain and administer supply management within the system.

It becomes increasingly apparent that dairy producers must continue to basically rely only on the domestic market to consume milk and milk products.

The production capability remains higher than our current levels of consumption of domestically produced milk. This strongly implies the need to expand the domestic market if profitable export markets are not available. Reduction of imports is one means toward achieving this end.

In its July 5, 1984 pre-election policy statement on agriculture, the government stated:

"We will re-establish a long-term dairy policy in consultation with the industry. The dairy industry needs such a policy in order to effectively plan its future operations. We will also support the industry in seeking to reduce cheese imports by 20%."

In respect to this pre-election promise, we make the following response:

a) We concur with the need to re-establish long term dairy policy and recommend that a policy be in place commencing with the 1985-86 dairy year which will include:

i) reaffirmation of continued commitment toward the operation and functioning of the Canadian Dairy Commission. In this respect we are somewhat bewildered and puzzled by a statement of the Minister of Agriculture in the House of Commons on April 18 in which the following exchange took place:

**Mr. Alain Tardif (Richmond-Wolfe):** Mr. Speaker, why is the Minister of Agriculture now considering the abolishment of the Canadian Dairy Commission which has been so useful to farmers during the past ten years, providing some stability and security in that important production?





**Hon. John Wise (Minister of Agriculture):**

Mr. Speaker, I think if the Hon. Member knew a little more about the dairy industry in Canada he would realize that indeed the request put forward by the dairy farmers of Canada is not shared equally or totally or to the same degree by producers in all provinces of Canada at this moment.

We go on record as unequivocally disassociating ourselves with any notion the Minister may have in scrapping the C.D.C. and would consider as untenable any long range dairy policy without the administrative and supply management function of the C.D.C.

ii) broadening the jurisdiction of the C.D.C. to include import licensing powers over dairy products. This is essential if we are not to experience in reducing cheese imports the same type of fiasco that we are experiencing in establishing meat import quotas. The offer to purchase program must also be retained.

iii) undertaking the development and expansion of domestic social programs utilizing dairy products. Such programs might include:

- . Developing and implementing a comprehensive national school milk program with quality standards.
- . Developing a milk program for supplementing the diets of low income groups in our society.

Provincial government departments responsible for the dispensation of welfare should be approached to adopt such programs on a cost sharing basis with the federal government.

iv) expanding export trade both commercially and as food, and;

v) setting national quotas on domestic butterfat requirements and maintaining current subsidies as the minimum levels of support to the domestic dairy industry and reinstating the dairy export subsidy program to its previous levels.

vi) the provision of research funding to provide alternate ways of marketing our natural dairy products. A good potential market for skim milk powder, for example, exist with the baking industry. It



needs to be explored and developed.

It must not be overlooked that the dairy industry ranks third in the income classifications of farm products produced in Canada, being exceeded in the farm cash income column nationally only by grain and livestock. In 1984, income from dairy products contributed 13.6% or \$2.7 billion to the farm economy, an increase of 8.5% over 1983. In B.C., Nova Scotia and Quebec, it is the leading income product and ranks second as an income earner in Ontario, P.E.I. and N.B.

As a consequence, any long term dairy policy must consider not only the direct benefit to farm income of dairy production but the added value to the economy through the farm purchase of inputs, the processing, manufacturing, transportation, wholesaling and retailing spin-offs that result in jobs and economic activity which we estimate has a multiplier effect within the economy of about seven times the farm value.

Long term dairy policy must also take into account the potential harm to the industry that can result from the widespread merchandizing of imitation or artificial products that act as direct competition to the consumption of dairy products.

Margarine is a product that has already made serious inroads on butter consumption patterns. Per capita margarine consumption is estimated at 6.47 kg per annum compared to 4.28 kg of butter (1982). We believe this consumption disparity is even wider now because of continuing high unemployment and because margarine coloring generally has been deregulated, permitting its appearance to more closely resemble that of butter.

It is well known that a number of public institutions such as hospitals regularly use margarine instead of butter. In some instances margarine use is now permitted in restaurants. We further believe it is unnecessary for our public airline, Air Canada, to serve imported cheese. It reflects a negative image of and attitude toward our domestic dairy industry.

Having witnessed the growing encroachment of margarine upon the butter market, we are very concerned by the strong federal govern-





ment emphasis upon deregulation and the implications that presents to the future market expansion of other imitation dairy products. This problem is further compounded by the federal easing of controls over foreign investment which may well open the door for widespread importation and/or manufacture in Canada of whey-based artificial dairy products.

The purpose of the "Investment Canada Act", to quote Industry Minister Sinclair Stevens, is to provide:

"a new positive mandate to encourage and facilitate investment, the kind of investment that creates jobs, introduces innovative ideas and technologies and expands Canada's economic and industrial base."

The manufacture of artificial whey-based drinks fit all these criteria and that is considerable cause for concern. The risk of their introduction under this new legislation is, we feel, at least tripled. Although each province claims the right to determine the sale of these products in their province, we believe it would be extremely hard to police.

Farmers require a clear and definitive statement from government with respect to this issue within the context of any new long term dairy policy which should be at least five years. Importation of these products and manufacture of them in Canada should be banned.

b) With respect to the election promise to reduce cheese imports by 20%, this would represent about 4.1 million kg of cheese or 450,000 hL of milk valued at \$20.3 million which could be built into our sagging M.S.Q. levels.

The cut to one-half by the Minister of the Special Export Program of 2.2 MhL has effectively reduced milk output by 1.1 MhL. The restoration of 450,000 hL through an import cut is inadequate to offset the production loss from the cut to the S.E.P. It would be appropriate for the Minister to at least double the projected cut in imports to 8.2 million kg of cheese. We recommend this size of cut in cheese imports be proposed in forthcoming G.A.T.T. negotiations.

We welcome the return to the National Milk Marketing Plan of



Manitoba and British Columbia. The province of B.C. was accorded the concession that its milk production be balanced in the proportion of a 65:35 ratio as between fluid and industrial milk.

As a condition for its re-entry, B.C. received an increase in M.S.Q. of 900 thousand kg of butterfat which will increase its allocation under the program from 5.3 to 6.2 Mkg. On an annual basis this would increase national M.S.Q. to 48.5 MhL.

We would appreciate an explanation of how the C.M.S.M.C. rationalizes this increase within the context of the program for the remaining months of 1984-85 dairy year and for 1985-86. It would be unsatisfactory to our organization if the increase in M.S.Q. to B.C. resulted in M.S.Q. cutbacks to other provinces for 1985-86 or conversely, increased the in-quota levy rate or the sleeve for over-quota levies.

TABLE A. PROVINCIAL DISTRIBUTION OF MARKET SHARE QUOTAS

Province	Domestic Share	Allocation of Non-optional Special		Total MSQ
		Export Quota	Optional Export Quota	
(Mkg of butterfat)				
P.E.I.	3.096	0.050	0.100	3.246
N.S.	2.068	0.032	0.064	2.164
N.B.	2.157	0.035	0.070	2.262
Que.	78.436	1.266	2.531	82.233
Ont.	51.050	0.827	1.653	53.530
Man.	6.384	0.103	0.206	6.693
Sask.	4.249	0.069	0.137	4.455
Alta.	10.960	0.177	0.355	11.492
B.C. <sup>a</sup>	5.057	0.082	0.163	5.302
Canada	163.457	2.641	5.279	171.377 (47.6 Mhl.)

SOURCE: Market Commentary - December, 1984

a - B.C. was allocated a total MSQ of 6.2 Mkg upon re-entry to the N.M.M.P.

TABLE B. PROVINCIAL LEVY RATES

Province	Percentage of production above which over-quota levies are applied	In-quota levy rate
	%	\$/hL
P.E.I.	98.0	5.57
N.S.	95.6	4.80
N.B.	100.0	5.75
Que.	97.6	5.14
Ont.	99.0	5.50
Man.	97.6	5.14
Sask.	97.6	5.14
Alta.	96.4	5.14
B.C. <sup>a</sup>	100.0	5.29

SOURCE: Market Commentary - December, 1984

a - In-quota levy for B.C. is \$5.14/hL plus a supplementary levy of 15¢/hL

Certain institutional organizations such as federal and provincial penitentiaries are engaged in milk production but have no MSQ. The same is true of the federal research facility on Woodroffe Avenue in Ottawa. Possibly placing them under MSQ should be considered to





control their future production levels.

We have previously referred to the 4% government restraint program which ended April 1 but failed to trigger an increase in the target returns formula. There is no doubt that under the government restraint program, target returns levels have fallen below those dictated by the milk pricing formula.

It is again our recommendation that the pricing formula should be altered to change the weighting factor in the target returns adjustment formula for "cash costs" from 40 percent to 50 percent and the "judgment factor" be reduced from 20 to 10 percent.

Recently the concept of Multiple Component Pricing (MCP) was approved by the Ontario Milk Marketing Board which will combine butterfat content and solids-not-fat (SNF) into the pricing system.

The component prices will be based on federal support prices for butter and skim milk powder.

This is, we believe, a positive improvement for determining the value of industrial milk. We are interested in learning the Commission's attitude toward this pricing system and if consideration is being given toward extending it toward all industrial milk, with particular emphasis on protein content.

We wish to re-emphasize that in a supply managed program, such as the dairy industry, and where cuts in M.S.Q. can be arbitrarily applied and levies increased to defray the cost of surplus disposal, the cost formula for determining the justification for producer price increases should not be simply abandoned to accommodate political objectives of the government as was the case in the conduct of the "6 and 5" restraint program.

Farmers, by and large, are not the causes of inflation but are instead its victims. Consequently, they should be protected from the ravages of inflation rather than sacrificed to it, particularly when their production efficiency is constrained in such a way as to accommodate the national interest.



In light of the large sums of money now withheld for disposal of products through producer levies, we submit producers are entitled to an annual accounting of how expenditures of these funds are utilized. We are, for example, interested in knowing whether the recent 9 million pound sale which reduced the butter price by about 13.6¢ per lb. (30¢/kg), is considered worthwhile for producers by the Commission and are there plans under consideration to repeat it?

We also believe consideration should be given to having processors pay a share of storage costs on products stored for future domestic use.

The current objective appears to be a 3 month turnover time for surplus skim milk powder. Is this objective being met?

What tendering system is now being used by the Commission to assure storage is leased at the lowest possible cost?

Once again we reiterate our previous requests to be accorded observer status on the C.M.S.M. Committee.

While the C.D.C. has always been accessible to our organization on the basis of the initiative we have taken to hold mutual discussions, we, as an organization, are not represented on the C.M.S.M. Committee and are thereby deprived of much information essential in policy development. Frankly, the situation is ludicrous.

Previous requests for observer status on the C.M.S.M. Committee have been denied. This denial of the opportunity to participate as an observer certainly cannot be justified on the basis that our organization is hostile toward the operations of the C.D.C. It cannot be justified on the grounds that we are not solely a dairy producers organization, since we do have a number of members who are dairy producers and a fairly comprehensive dairy policy, the product of member deliberations on the subject. Four members of our seven member National Executive are dairy producers. We respectfully point out that the Consumers Association of Canada enjoys observer status. It represents no dairy producers and has often taken policy positions hostile to orderly marketing. While we do not oppose its presence as





an observer, we submit we should no longer be denied a similar right.

We once again request your assistance in having the NFU  
granted observer status on the C.M.S.M. Committee.

In conclusion, we thank you for the opportunity of this meeting and request your careful consideration of the views we have expressed.

All of Which is Respectfully  
Submitted by:

NATIONAL FARMERS UNION



# APPENDIX A

Table 1

Milk cows(1) - Vaches laitieres(1)			Dairy heifers(2) - Genisses laitieres(2)			
1984r	1985	1985 as a % of 1984  1985 en % de 1984	1984r	1985	1985 as a % of 1984  1985 en % de 1984	
thousands - milliers						
Nfld. - T.-N.	2.7	3.0	111	0.9	0.9	100
P.E.I. - I.-P.-E.	23.1	22.6	98	8.3	8.0	96
N.S. - N.-E.	36.0	36.3	101	15.0	15.2	101
N.B. - N.-B.	28.2	29.0	103	10.9	11.1	102
Que.	690.0	690.0	100	240.0	235.0	98
Ont.	540.0	530.0	98	265.0	260.0	98
East - Total - Est	1,320.0	1,310.9	99	540.1	530.2	98
Man.	82.0	82.0	100	29.0	29.0	100
Sask.	84.0	84.0	100	18.0	18.0	100
Alta. - Alb.	157.0	157.0	100	45.0	44.0	98
B.C. - C.-B.	88.0	88.0	100	33.0	33.0	100
West - Total - Ouest	411.0	411.0	100	125.0	124.0	99
CANADA	1,731.0	1,721.9	99	665.1	654.2	98

(1) All females which have calved, raised mainly for milk purposes.

(1) Toutes les femelles qui ont velee, elevees pour la production laitiere.

(2) All females, 1 year and older, which have never calved, raised for dairy herd replacement.

(2) Toutes les femelles d'un an ou plus, qui n'ont jamais velee, elevees pour le remplacement des vaches laitieres.

Source: Statistics Canada - Report on Livestock Surveys - January 1, 1985



Table 2

FARM AND COMMERCIAL SALES OF MILK AND CREAM IN CANADA, DAIRY YEARS 1982-83,  
1983-84, 1984-85, 1985-86

	<u>August - December</u>		<u>Dairy year</u>		<u>Projections</u>	
	<u>1983-84</u>	<u>1984-85</u>	<u>1982-83</u>	<u>1983-84</u>	<u>1984-85</u>	<u>1985-86</u>
	(MhL)	(MhL)	(MhL)	(MhL)	(MhL)	(MhL)
<u>Farm sales<sup>a</sup></u>						
Fluid purposes	11.11	11.10 <sup>d</sup>	25.78	26.12	26.2	26.3
Industrial milk	17.19	18.13 <sup>d</sup>	46.03	45.61	46.1	44.9
Industrial cream <sup>b</sup>	0.85	0.77 <sup>d</sup>	2.11	2.02	1.9	1.8
Total industrial use	18.03	18.90 <sup>d</sup>	48.14	47.63	48.0	46.7
Total farm sales	29.14	30.00 <sup>d</sup>	73.93	73.75	74.2	73.0
<u>Commercial sales of fluid products</u>						
Standard milk	3.80	3.64 <sup>d</sup>	9.05	8.74	8.4	8.1
Low-fat milk <sup>c</sup>	7.19	7.34 <sup>d</sup>	16.44	17.11	17.5	18.0
Fluid cream <sup>b</sup>	1.73	1.86 <sup>d</sup>	3.79	4.06	4.2	4.2

<sup>a</sup>Milk sold off farms as reported by the first recipient

<sup>b</sup>In milk equivalent

<sup>c</sup>Includes 2% milk, skim milk, chocolate milk and buttermilk

<sup>d</sup>Estimates

Source: Agriculture Canada - Market Commentary, March, 1985

Table 3

PRODUCTION DOMESTIC DISAPPEARANCE AND SUPPORT PRICES OF VARIOUS DAIRY PRODUCTS, DAIRY YEARS 1982-83, 1983-1984, 1984-1985, 1985-1986

	August - December		Dairy Year		Projections	
	1983-1984	1984-1985	1982-83	1983-84	1984-1985	1985-1986
	(kt)	(kt)	(kt)	(kt)	(kt)	(kt)
<u>Production</u>						
Butter	39.81	39.86	111.85	107.73	107	102
Cheddar	40.76	40.26	96.15	101.39	98	101
Specialty cheeses	38.08	40.72	81.21	88.89	92	93
Concentrated whole milk <sup>a</sup>	46.55	64.95	166.08	137.42	170	150
Skim milk powder	43.83	44.92	139.45	127.71	127	117
<u>Domestic disappearance</u>						
Butter	48.64	44.97 <sup>b</sup>	110.17	106.77	104	104
Cheddar	39.78	38.22 <sup>b</sup>	91.57	97.34	96	98
Specialty cheeses	46.46	49.96 <sup>b</sup>	100.49	107.36	110	112
Concentrated whole milk <sup>a</sup>	26.34	20.32 <sup>b</sup>	78.01	38.32	53	50
Skim milk powder	31.95	26.44 <sup>b</sup>	32.25	62.44	42	44
<u>Support prices</u>						
Industrial milk (\$/hl)	41.02 <sup>c</sup>	41.40 <sup>d</sup>	41.64 <sup>e</sup>	42.80 <sup>c</sup>	43.18 <sup>d</sup>	43.83 <sup>e</sup>
Butter (\$/kg)	4.33	4.38	4.42	4.55	4.60	4.71
Skim milk powder (\$/kg)	2.59	2.61	2.65	2.72	2.74	2.79
					4.78	4.88
					2.85	2.90
					- 2.86	- 2.94

<sup>a</sup>Thousands of kilolitres

<sup>b</sup>Estimates

<sup>c</sup>January 1

<sup>d</sup>April 1

<sup>e</sup>August 1

Source: Agriculture Canada - Market Commentary - March, 1985

**Table 4**

CHEDDAR AND "SPECIALTY" CHEESE SUPPLY AND DISPOSITION CANADA, DAIRY YEARS 1982-83, 1983-84, 1984-85, 1985-86

	August - December		Dairy year		Projections	
	1983-84 (t)	1984-85 (t)	1982-83 (t)	1983-84 (t)	1984-85 (t)	1985-86 (t)
<b>Cheddar</b>						
Stocks on August 1	39 585	40 018	38 067	39 585	40 018	38 500
Production	40 756	40 256	96 145	101 388	98 000	101 000
Imports	0	0	0	0	0	0
Total supply	80 341	80 274	134 212	140 973	138 018	139 500
Exports	1 593 <sup>a</sup>	1 800 <sup>b</sup>	3 055	3 619	3 500	3 500
Stocks on July 31	38 965 <sup>a</sup>	40 252 <sup>c</sup>	39 585	40 018	38 518	38 000
Domestic disappearance	39 783	38 222 <sup>c</sup>	91 572	97 336	96 000	98 000
<b>Specialty cheeses</b>						
Stocks on August 1	11 541	12 469	12 283	11 541	12 469	13 400
Production	38 079	40 718 <sup>c</sup>	81 207	88 888	92 000	93 000
Imports	9 058	9 800 <sup>c</sup>	19 735	20 564	20 000	20 000
Total supply	58 678	62 987 <sup>c</sup>	113 225	120 993	124 469	126 400
Exports	630 <sup>a</sup>	780 <sup>b,c</sup>	1 048	1 166	1 100	1 100
Stocks on July 31	11 584 <sup>a</sup>	12 250 <sup>c</sup>	11 683	12 469	13 369	13 300
Domestic disappearance	46 464	49 957 <sup>c</sup>	100 494	107 358	110 000	112 000
<b>Domestic cheese consumption</b>						
Cheddar	39 783	38 222 <sup>c</sup>	91 572	97 336	96 000	98 000
Specialty cheeses	46 464	49 957 <sup>c</sup>	100 494	107 358	110 000	112 000
Total	86 247	88 179 <sup>c</sup>	192 066	204 694	206 000	210 000

<sup>a</sup>Stocks to the end of December 1983

<sup>b</sup>Stocks to the end of December 1984

<sup>c</sup>Estimates

Source: Agriculture Canada - Market Commentary - March, 1985

**Table 5**

BUTTER SUPPLY AND DISPOSITION, CANADA, DAIRY YEARS 1982-83, 1983-84, 1984-85, 1985-86

	August - December		Dairy year		Projections	
	1983-84 (t)	1984-85 (t)	1982-83 (t)	1983-84 (t)	1984-85 (t)	1985-86 (t)
<b>Butter</b>						
Stocks on August 1	33 018	33 763	35 290	33 018	33 763	36 300
Production	39 808	39 860 <sup>c</sup>	111 849	107 731	107 000	102 000
Imports	5	15 <sup>c</sup>	39	50	40	
Total supply	72 831	73 638 <sup>c</sup>	147 178	140 799	140 803	138 300
Exports	160 <sup>a</sup>	147 <sup>b</sup>	3 987	265	275	200
Stocks on July 31	24 028 <sup>a</sup>	28 526 <sup>c</sup>	33 018	33 763	36 328	34 100
Domestic consumption	48 643	44 965 <sup>c</sup>	110 173	106 771	104 200	104 000

<sup>a</sup>Stock to the end of December 1983

<sup>b</sup>Stock to the end of December 1984

<sup>c</sup>Estimates

Source: Agriculture Canada - Market Commentary - March, 1985

**Table 6**

CONCENTRATED WHOLE MILK AND SKIM MILK POWDER, SUPPLY AND DISPOSITION, CANADA, DAIRY YEARS 1982-83, 1983-84, 1984-85, 1985-86

	August - December		Dairy year		Projections	
	1983-84	1984-85	1982-83	1983-84	1984-85	1985-86
<u>Concentrated whole milk (kl)</u>						
Stocks on August 1	24 700	25 947	25 537	24 700	25 947	23 000
Production	46 554	64 950	166 079	137 421	170 000	150 000
Imports	0	0	0	0	0	0
Total supply	71 254	90 897	190 616	162 121	195 947	173 000
Exports	27 737	45 000 <sup>c</sup>	87 902	97 856	120 000	100 000
Stocks on July 31	17 178 <sup>a</sup>	25 582 <sup>b</sup>	24 700	25 947	22 947	23 000
Domestic consumption	26 339	20 315 <sup>c</sup>	78 014	38 318	53 000	50 000
<u>Skim milk powder (t)</u>						
Stocks on August 1	41 678	36 007	60 844	41 678	36 007	35 000
Production	43 833	44 916	139 452	127 708	127 000	117 000
Imports	0	0	0	0	0	0
Total supply	85 511	80 923	200 296	169 386	163 007	152 000
Exports	27 065	34 000 <sup>c</sup>	126 373	70 939	86 000	80 000
Stocks on July 31	26 500 <sup>a</sup>	20 479 <sup>b</sup>	41 678	36 007	35 007	28 000
Domestic consumption	31 946	26 444 <sup>c</sup>	32 245	62 440	42 000	44 000

<sup>a</sup>Stock to the end of December 1983

<sup>b</sup>Stock to the end of December 1984

<sup>c</sup>Estimates

Source: Agriculture Canada - Market Commentary - March, 1985









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national farmers union

DBIS  
- 571

National Farmers Union  
Submission  
to the  
Canadian Dairy Commission  
presented



Ottawa, Ontario

June 2, 1987



National Farmers Union  
Submission  
to the  
Canadian Dairy Commission  
presented

AA1  
DB15  
-571

Ottawa, Ontario

June 2, 1987

INTRODUCTION:

Within the past year the Commission has acquired a new chairman and vice chairman. We extend our congratulations and express our wish to continue the cordial relationships of the past into the future.

Our committee has actively functioned to represent the dairy producers of our organization in not only annually meeting with this Commission but in advancing policy positions to various provincial milk marketing and regulatory agencies.

LONG-TERM DAIRY POLICY:

We are nearing the end of the first year of the new 5-year dairy policy commitment announced January 22, 1986 by Agriculture Minister John Wise. Under this program, the federal government extended its commitment for the subsidy of \$6.03/hL of standard industrial milk until 1990-91, payable on all industrial milk produced for domestic requirements plus 1.1 MhL of Special Export Program milk.

While the continued subsidy commitment of \$6.03/hL is welcome, it is worth noting that it has remained constant since 1975 at which time it represented 24% of Target Returns compared to the present 13.2%.

Milk production in Canada is essentially a no-growth industry. The Canadian Milk Supply Management Committee set the 1986-87 quota at 46.6 MhL, the same as in 1985-86. It is not expected to change appreciably for 1987-88. In the first six months of the current dairy year (August-January), milk for fluid purposes increased by 1% while milk available for industrial purposes declined by 1% and cream by 4%\*. The tighter situation for industrial uses resulted from higher demand for fluid milk products and lower milk production in the fall because of low quality forage.

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\* Statistics Canada, Dairy Market Review, April 23, 1987, Vol. 62, No. 7





Consequently, some out-of-storage movement to fill domestic requirements for butter, cheddar cheese, skim milk powder and evaporated milk is reported to have taken place. This situation is said to have prompted the Commission to decide to postpone the manufacture of some products for export and to import some skim milk powder to supply the animal feed industry.\*

Needless to say, this seems ironic in view of past experience in the high cost for export disposal of surplus skim milk powder. The increased utilization of milk for cheddar and specialty cheese production can only be interpreted as positive developments in the domestic dairy products industry.

The gross target return as of August 1st, 1986, was set at \$46.30/hL of standard milk, however, as a result of a \$36 million surplus in funds collected from producers in 1985/86 to finance the export of skim milk powder, \$10 million was allocated to levies for 1986/87 by the Canadian Milk Supply Management Committee which resulted in the reduction of in-quota levies for the current dairy year from \$5.13/hL to \$4.61/hL. The balance of \$26 million was refunded to the provinces for distribution to producers, which has been done either directly (P.E.I., Manitoba, Saskatchewan, Alberta) or indirectly by further reducing in-quota and Special Export Program levies (Ontario, Quebec and New Brunswick).

Hopefully the expanded production of cheddar and specialty cheeses in the current dairy year will enable further reductions in the in-quota levy for the 1987-88 dairy year.

In addition, an increase in the global MSQ of 46.6 Mhl might be possible and would certainly be facilitated through the reduction by 20% of cheese import quotas promised by the Minister of Agriculture approximately two years ago. Regretably, we detect no progress in this direction.

Exports of dairy products amount to 4-6% of Canadian industrial milk production in butterfat terms and about 22% in non-fat milk solids terms, whereas imports of cheese, etc., are equivalent to about 5% of domestic industrial milk production. In calendar year 1985,



Canadian dairy products exports were valued at \$213 million while dairy imports were valued at \$91 million.

Considering the similarity in volume production between exports and imports, a tremendous disparity in the value of exports over imports is indicated. We know producers are receiving very little for exported products while consumer prices for imported cheeses and dairy products are relatively greater than for domestically-produced products. This suggests that neither producers or consumers benefit from current trading arrangements.

Since 1975 world dairy market trading prices have been well below Canadian prices (and those in most other producing countries) with most major producing countries subsidizing exports directly or indirectly. We assume that includes products exported to Canada. Very strong corporate interests, we suspect, are at play to prevent the reduction in cheese import quotas because cheap imports must be very profitable.

Strong arguments can be made to have all subsidized cheese imports controlled by the C.D.C. and an import levy collected to offset the high costs of our own export subsidies. This could directly assist producers through increasing their real income for dairy products and would not appreciably affect consumer prices for imported products.

Losses on C.D.C. marketing operations in recent years have been substantial, essentially consuming the entire federal subsidy.

<u>Dairy Year</u> <u>(ending July 31)</u>	<u>Value of all</u> <u>dairy exports</u> <u>\$M</u>	<u>CDC loss on</u> <u>Marketing Operations</u> <u>\$M</u>
1979/80	142	116
1980/81	186	120
1981/82	250	195
1982/83	293	256
1983/84	217	271
1984/85	240	296
1985/86	100 (first 6 months)	277 (estimate)

Source: Agriculture Canada, Commodity Strategy Framework, September, 1986





As producers we question why we are required to meet the entire cost of losses suffered in exporting surplus dairy products. It occurs to us that processors benefit from the additional milk production through the higher utilization of their processing capacity but are required to contribute nothing toward the cost of maintaining a toe-hold in the international market. This policy should be reviewed.

On April 1, 1986, the federal government discontinued paying butter marketing operating costs. Marketing boards were using within quota levies to pay for storage and buying of butter in the April 1 to July 31 period. The stated intent of the policy was to put the processing industry in closer touch with the marketing sector. We questioned how this objective would be achieved when producers were paying the annual \$14 million cost.

We conclude that essentially for the processing industry the change in policy has meant business as usual but producers, instead of government, now pay the full cost of this program. In order to finance the handling, storage and transportation costs associated with the C.D.C. marketing program for butter, \$0.18/hL was added to the target return and then collected from producers through an additional \$0.18/hL added to the in-quota levies.

Closing stocks of butter have been declining in each year since 1983-84 and at the end of 1986/87 are estimated to be only 15.5 Mkg which represents less than 2 months supply. (See table in Appendix) It might now be an appropriate time for the processing sector to indeed assume some responsibility for the cost of marketing butter.

#### THE FUTURE OF THE INDUSTRY:

The dairy industry may, we believe, be on the cutting edge of some rather drastic changes to its future shape and structure if various signals on policy directions materialize. Many of these possible changes are of great concern to us.

The industry has already experienced considerable contraction in terms of the number of producers in operation (41,000), less than one-quarter the number in operation twenty years ago. Fewer cows (1.7 million compared to 1.8 million in 1979) produce more milk as production per cow has increased by about 27 per cent (to 4.781 kgs) in



the past ten years. However, the continuing contraction in both the numbers of producers and cows could, by the turn of the century, seriously reduce the size of our industry. Matters of concern include the following:

Trade Negotiations - There is no apparent shortage of dairy products in the world today. We are reminded that our producer milk prices are higher than in most other major dairying countries. By comparison with the U.S., producer prices for fluid milk are 15-40 per cent higher and industrial milk prices about 20 per cent higher at present. Canadian industrial milk prices are four to five times higher than prices paid to producers in New Zealand. The mentality of many of our politicians and bureaucrats is strongly committed to the concepts of "comparative advantage" and cheap food and thus cannot be trusted to represent the interests of dairy producers in trade negotiations.

With the current emphasis on reduction of agricultural subsidies world-wide, the prospects for lower future milk prices are very real, particularly if a free trade arrangement in agricultural products should materialize between Canada and the United States.

The U.S. Dairy Termination Program reduced the number of lactating cows and replacement cows by 6% and 9% respectively between 1985 and 1986, however, milk production still increased by 1%. The surplus situation in that country is not likely to alter greatly as a result of that program. We remain vulnerable to U.S. imports.

We greatly fear that our supply management system for dairy production will fall victim to any Canada-U.S. free trade arrangement. That is why we have vigorously opposed this country's participation in such a trade deal. While government ministers strongly deny the disbanding of marketing boards is on the table, it can in fact not be otherwise if the intent of a free trade agreement and market accessibility is to be eased.

If our domestic market were further opened to foreign dairy product imports, the self-sufficiency concept on which our system is based would be shattered and the industry thrown into the same chaotic state it was prior to the introduction of supply management. We cannot identify a single benefit for the Canadian dairy industry to flow from a free trade agreement with the U.S.



Bovine Growth Hormones are likely to have a marked influence on the volume of milk produced by cows in future if this drug comes into general use. In this respect it appears adaptation in the U.S. will precede general use in Canada by 3 or 4 years. It is predictable that the impact from increased milk production through the use of bGH will bear a strong downward pressure on future milk prices.

Imitation Dairy Products represent an additional source of pressure on the Canadian dairy industry should a free trade agreement be achieved. While there is legislation in most provinces which prohibit the marketing of imitation dairy products, we anticipate at least some provinces would be prepared to relinquish such legislation, given the attitude many provincial Premiers have expressed favouring the free trade concept.

Our concern over the potential negative impact of imitation products has been echoed by other producer groups. The Ontario Milk Marketing Board, for example, has stated:

"The potential damage to the dairy industry from imitation dairy products could in the long run jeopardize the status of the industry. The greatest vigilance must be maintained to prevent further introduction."

The Dairy Farmers of Canada strongly believes the presence of imitation dairy products on the market can only be misleading to consumers. It suggests the federal government must assume its jurisdictional obligation over the imports and interprovincial trade of these products in support of provincial regulations.

Deficit Reduction has been a major theme of the current federal administration. We are very conscious of the Nielsen Task Force on Program Review of early 1986 which recommended sweeping changes to the dairy program estimating a potential annual saving of \$300 million.

Since the report of this Task Force was tabled, Agriculture Canada last fall launched an extensive overview of the agricultural industry and its programs including those relating directly to the dairy sector. It recommends that efficiency gains be maximized by encouraging rapid adoption of new technologies such as bGH. Such a





proposal is of course directly aimed at achieving greater productivity which is inevitably linked to lower prices. The Agriculture Canada dairy analysts state: "improved efficiency will allow milk and dairy products to compete more effectively with other foods and beverages."

Deregulation is very much a part of current federal policy initiatives and has implications for the dairy industry. The Ag Canada overview refers to recent court decisions which "have had the effect of deregulating the dairy industry from many product standards, thus making possible the marketing of non-standard products. Such products could gain consumer acceptance in preference to the traditional product," states the document. The implications point clearly in the direction of reducing quality control and enhancing the introduction of non-dairy products. We know the processing industry is most interested in engaging in greater product diversification and, we believe, not too concerned over the impact to dairy producers. The bottom line is profit.

In addition, the overview questions whether wholesale and retail minimum and/or maximum prices for fluid milks imposed by some provinces are beneficial to consumers or to dairy producers or processors. This suggests that deregulation in minimum fluid milk pricing is being recommended. Because the majority of fluid milk shippers are also industrial milk producers, deregulation of fluid prices would have a direct impact on farm incomes.

Federal Cost Recovery initiatives have been an additional concept supporting deregulation as larger processors supervise their own grading of cheese, for example, and force smaller processors to purchase grading services. The R.O.P./Milk recording program has been transferred to producer organizations that amalgamate all milk recording programs within their geographical areas. This has added cost to dairy producers and compelled some to discontinue the R.O.P. program.

Domestic pressure on the supply management program administered by the CMSMC is still evident by the B.C. government's initiative, announced April 28, to study its position within the national milk marketing plan for production of industrial milk. The study is provoked by the B.C. government's discontent over its share of MSQ (4%) in relation to population (12%). The system has been charged with being "too inflexible", with B.C. providing only 30% of its industrial



milk requirements and not able to take advantage of market opportunities in the export area. This type of mentality represents a potential threat to national marketing agencies in general and contributes toward increasing balkanization.

Cost of Production is now the subject of a \$1 million annual program, starting in 1986/87, to measure industrial milk production costs, processor margins and yields for the purpose of administering target returns to dairy farmers and product support prices. We realize the purpose of this study is to update the costing factor in the Target Price Returns formula. We require clarification on the efficiency factor that is being applied and what the likely impact of a new formula will have on future returns.

#### CONCLUSIONS AND RECOMMENDATIONS:

We have outlined a number of concerns and pressures we feel are threatening the continued stability of the dairy industry in Canada. Supply management has worked in this country to protect the investments of dairy producers. Dairying is noted as being one of the most stable agricultural industries in the country. This is directly attributable to the tight regulations and management programs that have been in effect. This program has brought stability to both producers and consumers. We are apprehensive that the mounting forces for destroying this important bulwark in farming are being led by those in government and industry devoted to permitting market forces free reign in determining the future configuration of the industry through the withdrawal of government assistance and support. It is a policy direction compatible to current government initiatives toward free trade, cost recovery, privatization, deregulation and cheap food at the farm gate level. It will again lead toward the return of jungle law evident in the dairy industry two decades ago.

If this prediction is overstated, we seek your interpretation of the course you believe the industry is heading over the next 5-10 years. In the meanwhile we shall continue to support the C.D.C. in its efforts to retain and administer supply management within the existing system and again recommend the following policy proposals as a means toward further stabilizing our domestic dairy industry:



i) The jurisdiction of the C.D.C. should be broadened to include import licensing powers over dairy products. If this were now the practice, the "stolen import license" case would not have occurred. The offer to purchase program must also be retained.

ii) The development and expansion of domestic social programs utilizing dairy products must be undertaken. Such programs might include:

- . Developing and implementing a comprehensive national school milk program with quality standards.
- . Developing a milk program for supplementing the diets of low income groups in our society.

The practice of proper nutrition is an important cornerstone of preventative health care and represents an expenditure that can save on curative costs.

Provincial government departments responsible for the dispensation of welfare should be approached to adopt such programs on a cost-sharing basis with the federal government.

iii) Expanding export trade in dairy products, both commercially and as food aid, must be undertaken and can in our view best be accomplished by the Commission. Because of declining returns to producers, the losses on export sales should be shared by the processing sector.

iv) Maintaining current subsidies as the minimum levels of support to the domestic dairy industry is essential as well as reinstating the dairy export subsidy program to its previous levels.

v) Research funding must be provided to explore alternate ways of marketing our natural dairy products. A good potential market for skim milk powder, for example, exists with the baking industry. It needs to be explored and developed. Currently research funding is centered in the areas of production and processing.

vi) We once again remind you that our past requests for acquiring observer status on the Canadian Milk Supply Management Committee have apparently fallen on deaf ears. We request that our





application be now given serious consideration and acceptance.

We are living in a time when producer-organized boards are falling under increasing pressure from organized advocacy groups who support free trade and can use it as a convenient pretext for attacking orderly marketing. We need look no further than the federal government's Nielsen Task Force as evidence.

Presumably the members of the CMSMC are pro-orderly marketing. It is not clear to us how we can be considered as a threat to the process of the Committee by attending its meetings as an observer. It seems to us that the C.D.C. and the CMSMC can use all the friends they can get. Information which may enable us to better understand the issues for the defense of orderly marketing can only serve a positive purpose.

We believe the CMSMC should now accept our application for observer status. We request your support in this endeavour.

In conclusion, we thank you for the opportunity of this meeting and request your consideration for the views we have expressed.

All of Which is Respectfully  
Submitted by:

NATIONAL FARMERS UNION



## APPENDIX

Farm and Commercial Sales of Milk and Cream in Canada .....	i
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Source: Market Commentary, March 1987

# FARM AND COMMERCIAL SALES OF MILK AND CREAM IN CANADA, DAIRY YEARS 1983-84 TO 1987-88 (MhL)

	Dairy year 1985-86 Quarters		Dairy year 1986-87 Quarters				Dairy year 1987-88 Quarters			Dairy years <sup>e</sup>			
	February- April <sup>c</sup>	May- July <sup>d</sup>	August- October <sup>a</sup>	November- January <sup>bb</sup>	February- April <sup>ch</sup>	May- July <sup>dh</sup>	August- October <sup>ah</sup>	November January <sup>bh</sup>	1983- 1984	1984- 1985	1985- 1986	1986- 1987 <sup>h</sup>	1987- 1988 <sup>h</sup>
<b>Farm sales<sup>f</sup></b>													
Fluid purposes	6.61	6.55	6.78	6.90	6.82	6.61	6.87	6.99	26.12	25.90	26.67	27.11	27.60
Industrial milk	10.56	13.04	10.82	9.60	10.70	13.28	10.95	9.68	45.11	45.10	44.05	44.40	44.45
Industrial cream <sup>g</sup>	0.40	0.57	0.49	0.32	0.40	0.54	0.47	0.30	2.02	1.91	1.85	1.75	1.70
Total industrial use	10.96	13.61	11.31	9.92	11.10	13.82	11.42	9.98	47.13	47.01	45.90	46.15	46.15
TOTAL FARM SALES	17.57	20.16	18.09	16.82	17.92	20.43	18.29	16.97	73.25	72.91	72.57	73.26	73.75
<b>Commercial sales of fluid products</b>													
Standard milk	1.87	1.88	1.93	1.89	1.77	1.80	1.88	1.84	8.77	8.31	7.80	7.39	7.20
Low-fat milk <sup>i</sup>	4.46	4.45	4.66	4.78	4.62	4.60	4.75	4.83	17.11	17.35	17.99	18.66	19.00
Fluid cream <sup>g</sup>	1.06	1.33	1.26	1.29	1.20	1.35	1.28	1.32	4.10	4.39	4.69	5.10	5.20

<sup>a</sup> August 1 to October 31

<sup>b</sup> November 1 to January 31

<sup>c</sup> February 1 to April 30

<sup>d</sup> May 1 to July 31

<sup>e</sup> August 1 to July 31

<sup>f</sup> Milk sold off farms as reported by the first recipient

<sup>g</sup> In milk equivalent

<sup>h</sup> Forecast

<sup>i</sup> Includes 2%, skim, chocolate and buttermilk

Sources: Agriculture Canada, Policy Branch (forecasts)  
Statistics Canada (historical data)

PRODUCTION AND DOMESTIC DISAPPEARANCE OF PRINCIPAL PROCESSED DAIRY PRODUCTS, DAIRY YEARS  
1983-84 TO 1987-88 (kt)

	Dairy year 1985-86 Quarters					Dairy year 1986-87 Quarters					Dairy years				
	August- October	November- January	February- April	May- July		August- October	November- January <sup>b</sup>	February- April <sup>b</sup>	May - July <sup>b</sup>		1983- 1984	1984- 1985	1985- 1986	1986- 1987 <sup>b</sup>	1987- 1988 <sup>b</sup>
Production															
Butter	22.33	20.69	24.57	28.07		23.44	19.50	24.56	26.50		107.76	99.63	95.66	94.00	92.000
Cheddar cheese	28.90	27.89	25.72	31.46		28.24	28.00	26.26	31.50		101.68	102.32	113.97	114.00	117.00
Specialty cheeses	27.82	27.86	28.43	30.99		32.90	30.00	31.00	33.00		87.43	98.60	115.10	126.90	135.00
Concentrated whole milk <sup>a</sup>	28.34	27.75	29.62	35.24		12.38	13.00	15.00	30.00		156.68	185.67	120.95	70.38	60.00
Skim milk powder	20.94	16.76	26.27	36.01		25.31	18.00	24.00	29.00		128.34	120.32	99.98	96.31	95.00
Domestic disappearance															
Butter	26.01	25.39	25.38	26.14		25.31	24.97	24.41	24.79		107.60	107.23	102.59	99.48	95.85
Cheddar cheese	27.88	22.98	25.36	27.94		31.75	23.15	25.92	27.97		96.83	99.54	104.16	108.79	111.80
Specialty cheeses	31.77	31.92	32.93	36.57		37.81	34.95	34.80	37.87		105.58	117.75	133.19	145.43	153.00
Concentrated whole milk <sup>a</sup>	32.19	(3.00)	14.66	12.05		15.46	14.90	12.00	11.00		59.46	44.00	55.90	53.36	44.00
Skim milk powder	12.51	10.91	10.30	15.83		13.04	10.68	12.00	13.50		62.42	65.15	49.55	49.22	50.00

<sup>a</sup> Thousands of kilolitres

<sup>b</sup> Forecast

Sources: Agriculture Canada, Policy Branch (forecasts)  
Statistics Canada (historical data)

# CHEDDAR AND SPECIALTY CHEESE SUPPLY AND DISPOSITION, CANADA, DAIRY YEARS 1983-84 TO 1987-88 (Mkg)

Dairy years

Dairy year 1986-87 Quarters

Dairy year 1985-86 Quarters

	Dairy year 1985-86 Quarters				Dairy year 1986-87 Quarters				Dairy years			
	August- October	November- January	February- April	May- July	August- October	November- January <sup>a</sup>	February- April <sup>a</sup>	May- July <sup>a</sup>	1983- 1984	1984- 1985	1985- 1986	1986- 1987 <sup>a</sup> 1988 <sup>a</sup>
<b>Cheddar cheese</b>												
Beginning stocks	39.43	37.57	39.43	37.86	39.49	34.67	37.00	35.00	40.77	42.36	39.43	39.49
Production	28.90	27.89	25.72	31.46	28.24	28.00	26.26	31.50	101.68	102.32	113.97	114.00
Imports	0.04	0.04	0.10	0.15	0.10	0.08	0.06	0.06	0.36	0.45	0.33	0.30
Total supply	68.37	65.50	65.25	69.47	67.83	67.75	63.32	66.56	142.81	145.13	153.73	154.79
Exports	2.92	3.09	2.03	2.04	1.41	2.60	2.40	1.59	3.62	6.16	10.08	8.00
Closing stocks	37.57	49.43	37.86	39.49	34.67	37.00	35.00	37.00	42.36	39.43	39.49	37.00
Domestic disappearance	27.88	22.98	25.36	27.94	31.75	23.15	25.92	27.97	96.83	99.54	104.16	108.79
												111.80
<b>Specialty cheeses</b>												
Beginning stocks	11.98	12.73	13.13	13.26	11.83	11.45	11.00	12.00	11.54	12.43	11.98	11.83
Production	27.82	27.86	28.43	30.99	32.90	30.00	31.00	33.00	87.43	98.60	115.10	126.90
Imports	5.02	4.97	4.78	4.43	4.85	4.90	5.10	5.15	20.21	20.05	19.20	20.00
Total supply	44.82	45.56	46.34	48.68	49.58	46.35	47.10	50.15	119.18	131.08	146.28	158.73
Exports	0.32	0.51	0.15	0.28	0.32	0.40	0.30	0.28	1.17	1.35	1.26	1.30
Closing stocks	12.73	13.13	13.26	11.83	11.45	11.00	12.00	12.00	12.43	11.98	11.83	12.00
Domestic disappearance	31.77	31.92	32.93	36.57	37.81	34.95	34.80	37.87	105.58	117.75	133.19	145.43
												153.00
<b>Domestic cheese disappearance</b>												
Cheddar	27.88	22.98	25.36	27.94	31.75	23.15	25.92	27.97	96.83	99.54	104.16	108.79
Specialty	31.77	31.92	32.93	36.57	37.81	34.95	34.80	37.87	105.58	117.75	133.19	145.43
Total	59.65	54.90	58.29	64.51	69.56	58.10	60.72	65.84	202.41	217.29	237.35	254.22
												264.80

<sup>a</sup> Forecast

Sources: Agriculture Canada, Policy Branch (forecasts)  
Statistics Canada (historical data)



BUTTER SUPPLY AND DISPOSITION, CANADA, DAIRY YEARS 1983-84 TO 1987-88 (Mkg)

	Dairy year 1985-86 Quarters				Dairy year 1986-87 Quarters				Dairy years				
	August- October	November- January	February- April	May- July	August- October	November- January <sup>a</sup>	February- April <sup>a</sup>	May- July <sup>a</sup>	1983- 1984	1984- 1985	1985- 1986	1986- 1987 <sup>a</sup>	1987- 1988 <sup>a</sup>
Beginning stocks	29.30	25.65	20.82	19.84	21.68	19.77	14.00	14.00	37.47	37.45	29.30	21.68	15.50
Production	22.33	20.69	24.57	28.07	23.44	19.50	24.56	26.50	107.76	99.63	95.66	94.00	92.00
Imports <sup>b</sup>	0.03	0.02	0.00	0.00	0.00	0.05	0.05	0.00	0.05	0.10	0.05	0.10	0.10
Total supply	51.66	46.36	45.39	47.91	45.12	39.32	38.61	40.50	145.28	137.18	125.01	115.78	107.60
Exports	0.33	0.15	0.17	0.09	0.04	0.35	0.20	0.21	0.23	0.65	0.74	0.80	0.75
Closing stocks	25.65	20.82	19.84	21.68	19.77	14.00	14.00	15.50	37.45	29.30	21.68	15.50	11.00
Domestic Disappearance	26.01	25.39	25.38	26.14	25.31	24.97	24.41	24.79	107.60	107.23	102.59	99.48	95.85

<sup>a</sup> forecast

<sup>b</sup> used for revaluating foreign ships and aircraft at Canadian ports

Sources: Agriculture Canada, Policy Branch (forecasts)  
Statistics Canada (historical data)

# CONCENTRATED WHOLE MILK AND SKIM MILK POWDER SUPPLY AND DISPOSITION, CANADA, DAIRY YEARS 1983-84 TO 1987-88

	Dairy year 1985-86 Quarters				Dairy year 1986-87 Quarters				Dairy years				
	August- October	November- January	February- April	May- July	August- October	November- January <sup>a</sup>	February- April <sup>a</sup>	May - July <sup>a</sup>	1983- 1984	1984- 1985	1985- 1986	1986- 1987 <sup>a</sup>	1987- 1988 <sup>a</sup>
	(ML)												
Concentrated whole milk													
Beginning stocks	27.48	12.97	13.18	12.11	16.53	5.90	4.00	4.00	26.34	23.69	27.48	16.53	8.00
Production	28.34	27.75	29.62	35.24	12.38	13.00	15.00	30.00	156.68	185.67	120.95	70.38	60.00
Imports	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total supply	55.82	40.72	42.80	47.35	28.91	18.90	19.00	34.00	183.02	209.36	148.43	86.91	68.00
Exports	10.66	30.54	16.03	18.77	7.55	0.00	3.00	15.00	99.87	137.88	76.00	25.55	18.00
Closing stocks	12.97	13.18	12.11	16.53	5.90	4.00	4.00	8.00	23.69	27.48	16.53	8.00	6.00
Domestic disappearance	32.19	(3.00)	14.66	12.05	15.46	14.90	12.00	11.00	59.46	44.00	55.90	53.36	44.00
(Mkg)													
Skim milk powder													
Beginning stocks	30.32	25.89	15.56	24.26	21.85	8.68	7.00	9.00	42.79	37.77	30.32	21.85	9.00
Production	20.94	16.76	26.27	36.01	25.31	18.00	24.00	29.00	128.34	120.32	99.98	96.31	95.00
Imports	0.00	0.00	0.00	0.00	0.00	3.00	2.00	0.00	0.00	0.00	0.00	5.00	0.00
Total supply	51.26	42.65	41.83	60.27	47.16	29.68	33.00	38.00	171.13	158.09	130.30	123.16	114.00
Exports	12.86	16.18	7.27	22.59	25.44	12.00	12.00	15.50	70.94	62.62	58.90	64.94	44.00
Closing stocks	25.89	15.56	24.26	21.85	8.68	7.00	9.00	9.00	37.77	30.32	21.85	9.00	10.00
Domestic disappearance	12.51	10.91	10.30	15.83	13.04	10.68	12.00	13.50	62.42	65.15	49.55	49.22	50.00

<sup>a</sup> Forecast

Sources: Agriculture Canada, Policy Branch (forecasts)  
Statistics Canada (historical data)

# SUPPORT PRICES, WHOLESALE PRICES AND RETAIL PRICES FOR SELECTED DAIRY COMMODITIES, CANADA, DAIRY YEARS 1984-85 TO 1987-88

	Dairy year 1985-86 Quarters		Dairy year 1986-87 Quarters				Dairy year 1987-88 Quarters		Dairy years <sup>e</sup>					
	February- April	May- July	August- October	November- January <sup>h</sup>	February- April <sup>h</sup>	May- July <sup>h</sup>	August- October <sup>h</sup>	November January <sup>h</sup>	1983- 1984	1984- 1985	1985- 1986	1986- 1987 <sup>h</sup>	1987- 1988 <sup>h</sup>	
Support prices <sup>a</sup>														
Industrial milk <sup>b</sup> (\$/hL)	45.68	45.68	46.30 <sup>g</sup>	46.30 <sup>g</sup>	46.30 <sup>g</sup>	46.30 <sup>g</sup>	46.80-47.00	46.80-47.00	43.27	44.65	45.68	46.30 <sup>g</sup>	46.80-47.00	
Butter (\$/kg)	4.93	4.93	5.04	5.04	5.04	5.04	5.08-5.10	5.08-5.10	4.62	4.78	4.93	5.04	5.08-5.10	
Skim milk powder (\$/kg)	2.92	2.92	2.98	2.98	2.98	2.98	3.00-3.02	3.00-3.02	2.75	2.85	2.92	2.98	3.00-3.02	
Wholesale prices <sup>c</sup>														
Butter <sup>d</sup> (\$/454 g)	2.42	2.42	2.46	2.48	2.48	2.48	2.52	2.53	2.32	2.40	2.41	2.48	2.53 <sup>i</sup>	
Skim milk powder <sup>e</sup> (\$/kg)	2.93	2.95	3.01	3.04	3.04	3.04	3.06	3.08	2.73	2.84	2.92	3.03	3.10 <sup>i</sup>	
Processed cheese (\$/500 g)	3.01	3.04	3.06	3.12	3.15	3.18	3.20	3.25	2.78	2.91	2.99	3.13	3.27	
Ice cream (\$/L)	1.61	1.61	1.63	1.68	1.70	1.70	1.72	1.75	1.41	1.52	1.59	1.68	1.75	
Evaporated milk (\$/385 mL)	0.69	0.69	0.69	0.69	0.70	0.70	0.71	0.71	0.64	0.67	0.69	0.70	0.71	
Retail prices <sup>f</sup>														
Fluid milk (\$/L)	1.00	1.01	1.01	1.03	1.04	1.04	1.04	1.06	0.89	0.96	1.00	1.03	1.06	
Butter (\$/454 g)	2.54	2.55	2.60	2.60	2.62	2.62	2.65	2.67	2.40	2.48	2.53	2.61	2.68 <sup>i</sup>	
Processed cheese (\$/250 g)	2.10	2.14	2.06	2.12	2.16	2.18	2.10	2.16	1.96	2.07	2.12	2.13	2.15	
Skim milk powder (\$/kg)	6.48	6.55	6.51	6.55	6.56	6.58	6.70	6.75	8.50	6.91	6.42	6.55	6.80 <sup>i</sup>	
Evaporated milk (\$/385 mL)	0.82	0.83	0.81	0.83	0.84	0.84	0.86	0.86	0.81	0.78	0.81	0.83	0.87	
Ice cream	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

<sup>a</sup> Source Canadian Dairy Commission

<sup>b</sup> Canadian Dairy Commission's target support price, inclusive of direct subsidy (\$6.03/hL) but excluding the skim milk powder export levy (\$5.13/hL).

<sup>c</sup> Source Statistics Canada, Prices Division, Wholesale Prices Section

<sup>d</sup> Prints 454 g

<sup>e</sup> Spray, edible

<sup>f</sup> Source Statistics Canada, Prices Division, Consumer Prices Section

<sup>g</sup> Theoretically has \$0.18/hL added for butter storage and marketing charges, an amount that is offset by an \$0.18/hL increase in skim milk powder export levy.

<sup>h</sup> Forecast (Agriculture Canada)

<sup>i</sup> Prices for 1987-88 forecast assuming discontinuation of \$0.18/hL for butter storage and marketing charges.













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